

Social Security And Social Security Optimization

Any discussion regarding SPIAs (Single Premium Immediate Annuities) and GFIA's (Guaranteed Future Income Annuities) should include a discussion regarding Social Security and Social Security Optimization.

Social Security

Social Security is the foundation block of your guaranteed retirement income plan - complemented by a company pension (if you are lucky enough to have one), SPIAs and GFIA's, then more complicated products with guaranteed living benefits.

In the past, a typical retiree would have given little thought to begin taking Social Security on his or her 62nd birthday, instead of waiting until full retirement benefits become available. Nowadays, with folks living longer, longevity risk has stepped to the forefront of retirement income planning - and the greatest financial risk that many retirees face is running out of money.

The decision of when to take Social Security has an impact that lasts a lifetime - so you should closely evaluate both the pros and cons of taking Social Security sooner versus later. Most articles written on the subject promote the merits of waiting until age 70 to take Social Security, however, after taking a closer look, you may - or you may not - come to the same conclusion after weighing all of your personal facts.

Proponents Of Taking Social Security Later

Proponents of taking Social Security later argue that the longer you delay taking Social Security, your benefit payments will be higher. This delay can also permanently raise your eligible benefits by a significant amount going forward, because future inflation adjustments to your Social Security income will be calculated from the higher base. If you live well beyond age 80, then chances are you will receive more benefit payments by waiting to take Social Security at age 70.

Proponents Of Taking Social Security Sooner

Proponents of taking Social Security sooner argue that if you begin taking Social Security at age 62, despite receiving lower payments than you would receive if you wait until age 70, you will have already collected a significant amount of money and be well ahead of the game as opposed to waiting until age 70 to begin receiving higher payments. In actuality, many folks who wait until age 70 to take Social Security will not even reach the break-even point - the "break-even age" when they will have received the same total amount in benefit payments that they would have received if they had begun taking them at age 62 - until on or about age 80. Before your break-even age - you don't even need to earn a penny return on investment on the benefits you receive - to make the strategy of taking Social Security early - work out better than delaying Social Security to age 70.

It is important to note that when trying to determine if you should take Social Security sooner versus later, most Social Security calculators assume that you will spend, not invest, your Social Security benefit payments over the eight year period from age 62 to 70 - completely ignoring the time value of money - and assume no return on investment for the benefits you receive.

Also, most Social Security calculators do not take into consideration the impact that withdrawing money from your investment portfolio to fund your retirement income and lifestyle needs can have over the eight year period from age 62 to 70 (in lieu of taking Social Security - if you wait to take Social Security until age 70) - which could significantly further postpone your combined benefit payments plus investment performance break-even point to well beyond age 80.

Keep in mind:

- The dominant issue isn't your outlook for the markets - it is your outlook for your longevity.
- If you are married, you should also consider your spouse's income and expected longevity.
- Social Security Benefit estimates are just that - and they don't take into consideration potential changes the government may make to the Social Security system.

You should ask yourself:

- What is your realistic life expectancy based upon your health, lifestyle and family history.
- Will you need money sooner versus later to maintain your retirement income and lifestyle needs.

Also keep in mind that age 62 or 70 are not the only options you have when deciding when to take Social Security. You can start receiving benefits at any point after age 62, and the payment amount will go up with each passing month.

Regardless of when you decide to take benefits, a SPIA or GFIA may offer a possible solution to help you bridge the "income gap" you may experience when you stop working until you start collecting Social Security benefits and, in addition, enhance your guaranteed retirement income cash-flow and lifestyle.

Social Security Optimization

Few people realize how much a decision to delay taking Social Security can contribute to greater income security much later in life - especially if you have a long life expectancy - and it's one of the most important financial decisions you will make.

The Social Security Administration 's website offers a useful tool for estimating Social Security Benefits (<http://www.socialsecurity.gov/OACT/quickcalc/index.html>).

However, there are a lot of "moving parts" when you evaluate which Social Security benefits to take - and when to take them - and you may want to consider using a more comprehensive tool.

Maximize My Social Security (<http://maximizemysocialsecurity.com/>) offers an online tool (for an Annual Household License Fee) that takes into account a variety of household configurations (retiree, spousal, survivor, divorcee, parent, etc.) that help take the guesswork out of when to take Social Security - and help you determine your **Social Security Optimization - the best time to begin collecting Social Security to achieve the highest lifetime benefits.**